



Office of Inspector General  
*U.S. Department of State*  
*and the*  
*Broadcasting Board of Governors*

# MONTHLY REPORT OF **ACTIVITIES**

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*audits, inspections, testimony, and special activities*

**July 2000**

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion, OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issued date of the original report. In addition, all major reports, together with OIG investigative activities are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

## **Congressional and Outreach Activities**

### **Oversight of the State Department: Is Management Getting Results?**

On July 19, the Inspector General testified before the Subcommittee on National Security, Veterans Affairs and International Relations of the House Committee on Government Reform on “Oversight of the State Department: Is Management Getting Results?” The testimony provided the committee with an update of the Inspector General’s 1999 testimony on major management challenges facing the Department of State and implementation of the Government Performance and Results Act of 1993. Significant management challenges addressed included domestic and overseas security programs; new embassy construction projects; financial management, including electronic banking and standardizing overseas financial management systems; real property management and maintenance; and grants management.

## **Reports Issued by the Office of Audits**

### **Interagency Working Group on U.S. Government-Sponsored International Exchanges and Training Programs (00-CG-012)**

The Office of Inspector General (OIG) conducted a survey of the Interagency Working Group (IAWG) on U.S. Government-sponsored international exchanges and training programs to assess the progress of IAWG in achieving its charge of recommending measures for improving the coordination, efficiency, and effectiveness of international exchanges and training programs via seven specific mandates. On July 15, 1997, Executive Order 13055, Coordination of United States Government International Exchanges and Training Programs, established IAWG and provided its initial mandates. The Omnibus Consolidated and Emergency Supplemental Appropriations Act, 1999, (Public Law 105-277, section 101(b)), provided the legal authority for IAWG and made some changes to the Executive Order, including increasing the number of specific mandates to the final total of seven.

Overall, OIG found that IAWG has made significant progress in attaining some of its mandates but only limited progress in achieving others. For example, IAWG developed an electronic data management system to collect, analyze, and report exchange and training data provided by concerned U.S. Government departments and agencies, and it has taken steps to promote greater understanding and cooperation among these departments and agencies on common issues and challenges in conducting these programs. However, IAWG has not yet identified any programmatic duplication or overlap despite efforts to do so. It also has made only minimal progress towards developing a coordinated and cost-effective strategy for all U.S. Government-sponsored international exchanges and training programs, which must include an action plan with the objective of achieving a minimum of 10 percent cost savings through greater efficiency, the consolidation of programs, or the elimination of duplication. In explaining its limited progress in some areas, IAWG cited several impediments that hamper efforts to fulfill some of its mandates, and these barriers to successful implementation are addressed in this report. OIG has long recognized the importance and cost savings potential of IAWG's function and will continue to monitor the working group's progress in achieving its mandates.

### **Review of Grant IA-PSLJ-G7190287 Awarded to the Foundation for International Arts & Education for International Exchanges and Training in the New Independent States (00-CG-016)**

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OIG reviewed the Community Connections grant, Number IA-PSLJ-G7190287, at the Foundation for International Arts and Education (the Foundation), as part of its continuing responsibility to audit Freedom Support Act assistance to the New Independent States (NIS). Since 1997, the United States Information Agency<sup>1</sup> has provided Freedom Support Act funds to the Foundation to organize and implement community-based, professional training programs for entrepreneurs, legal professionals, and government officials from the New Independent State of Georgia. OIG reviewed the Foundation's transactions for FYs 1997 through 1999. The objectives were to determine whether the Foundation (1) adequately accounted for Federal funds, (2) complied with applicable regulations and provisions in the grant agreement, and (3) had procedures in place to evaluate the success of its NIS program.

Generally, the Foundation adequately accounted for Federal funds; however, it needs to improve its financial management of Federal grants. OIG found that transactions were not always properly recorded in its accounting system and duties were not adequately separated because of limited staffing. In addition, OIG found one instance of noncompliance with applicable regulations. Specifically, the Foundation did not establish a rational methodology for allocating overhead costs between Foundation and for-profit activities. To ensure that Federal funds are properly accounted for and spent for the intended purpose, OIG recommends that the Bureau of Educational and Cultural Affairs (ECA) requires the Foundation to strengthen their controls to ensure accurate accounting results and compliance with regulations.

The Foundation did not have written procedures for evaluating its Community Connections Program; however, its interim progress reports did facilitate evaluation. Specifically, the reports highlighted program accomplishments with goals and objectives as required by regulations and grant agreements, which were to provide professional experience and exposure to American life for 10 Georgian participants. In addition, the reports also explained the assignment of participants to American families and businesses; described seminar topics and places visited; and analyzed problems and potential solutions. Because the Community Connections Program had quantifiable goals and objectives, the Foundation's program evaluations should assist the Department in meeting its requirements under the Government Performance and Results Act.

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<sup>1</sup> On October 1, 1999, the Department and the United States Information Agency (USIA) consolidated. Under the consolidation, USIA grantees report to the Department's Bureau of Educational and Cultural Affairs.

**Review of Awards to Town Affiliation Association of the United States, Inc., for Activities in the New Independent States (00-CG-019)**

As part of an overall effort to review Freedom Support Act assistance to the New Independent States, the OIG examined seven grants totaling about \$3 million awarded by the United States Information Agency (USIA)<sup>2</sup> and the Department of State to Town Affiliation Association of the United States, Inc. (the Association). OIG reviewed costs claimed and incurred for FY 1996 through November 30, 1999. The primary purpose was to determine if the Association (1) adequately accounted for Federal funds, (2) complied with applicable Federal laws and regulations related to the terms and conditions of the agreement, and (3) had procedures for evaluating its programs for the New Independent States. OIG found:

- that the Association did not always adequately account for Federal funds. As a result, OIG questioned costs totaling \$908,812. Of that amount, \$804,318 was classified as unsupported because of a lack of documentation, and \$104,494 was unallowable under terms and conditions of the grant.
- poor financial management and internal control weaknesses including inaccuracies and inconsistencies with financial data, cash advances in excess of needs, inadequate and outdated written accounting procedures, and a lack of separation of duties.
- noncompliance with applicable regulations and agreements, such as untimely or incomplete reporting including the submission of indirect cost rate proposal packages, overestimating labor requirements, inadequate monitoring of subrecipients, and not meeting cost share provisions.
- that, although the Association did not have written procedures for evaluating program results, it did conduct several independent evaluations of specific NIS programs during the audit.

In addition, OIG identified other matters needing clarification related to the grantee's use of two different names and the financial capability of the organization. Although Sister Cities International (SCI) is not the grantee's legal name, it is used interchangeably with the Association, which has caused some confusion. OIG concluded that substantial doubt exists with the Association's ability to continue as a going concern. The Association has been operating in a deficit position for the past four years but continued its operations by using restricted funds. In August 1997, the U.S. Agency for International Development (USAID) determined that SCI was not financially capable of continuing performance on Government awards. As of March 2000, USAID had not reinstated the Association to USAID's Private and

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Voluntary Organizations registry. As a result, the grantee known as SCI is not eligible for most forms of foreign assistance from USAID.

OIG recommended that the Association reimburse the Department for unallowable costs and provide additional documentation for the unsupported costs. Because the above findings indicate serious financial weaknesses, OIG recommends that the Department grant officers also place the organization on a cost reimbursable basis for current grants and restrict new awards to the organization until the Association fully implements actions for assuming financial capability.

### **Review of Overseas Allowances (00-HR-020)**

Overseas allowances are provided to employees as recruiting and retention incentives and in compensation for expenses and hardship conditions. The Department is authorized to determine allowances for all U.S. civilian employees overseas. OIG reviewed the Department of State's management of overseas allowances in order to determine if the process is administered in compliance with applicable rules, regulations, and guidance.

OIG found that overall, the allowance setting process is well managed. However, OIG found a few discrepancies that were brought to the attention of the Office of Allowances. OIG recommended that the Office of Allowances modify the Hotel and Restaurant Report, monitor the timeliness of posts' submissions, establish procedures for improved post reporting on hotel usage, and strengthen their analysis procedures. The Office of Allowances has taken action to comply with, or agreed to address, all four OIG recommendations.

### **INL-Administered Programs in Colombia (00-CI-021)**

In March 1999, the Chairman of the House Committees on International Relations and Government Reform requested that the Office of Inspector General review the Bureau of International Narcotics and Law Enforcement Affairs (INL) counternarcotics efforts in Colombia. The request tasked the Office of Inspector General with answering 21 specific questions related to INL's counternarcotics programs in Colombia. The Committees' questions centered around various areas of the Department's counternarcotics efforts in Colombia. These included (1) the experience and training of Narcotics Affairs Section (NAS) officers, (2) the chain of command between INL headquarters and NAS Bogota, (3) the costs and benefits of using American contractors in the eradication program, and (4) the configuration of the B-212 and UH-II helicopters transferred to the Colombian National Police.

OIG found that INL is doing an adequate job of recruiting qualified NAS officers for Bogota. Although OIG found examples where communication was lacking between INL

headquarters, INL Aviation Division, and NAS Bogota, OIG does not believe the formal chain of command needs restructuring.

The increased American contractor presence in the eradication program resulted in more drug crops being sprayed in Colombia. However, the Central Intelligence Agency and the Department disagree about the effectiveness of this increased spray activity. Despite spending over \$100 million on the increased eradication efforts during FY 1997-99, the results of the spray program are discouraging. Although the data indicates that the spray program has had the effect of moving cultivation from one region to another, it is uncertain whether the current program has decreased the supply of drugs from Colombia. Furthermore, the Department's efforts have had little measurable impact on the availability of drugs in the United States.

OIG also found that NAS Bogota and INL should have been more proactive in helping the Colombian National Police identify desirable modifications to the standard UH-II helicopter configuration. Better communication among NAS Bogota, INL Aviation Division, and INL headquarters may have reduced some of the problems associated with the transfer of these helicopters.

#### **Tracking and Monitoring Emergency Supplemental Appropriation Funds (00-FM-025)**

During 1999, OIG audited the systems and processes in place to track and monitor emergency supplemental appropriation (ESA) funds. Following the August 7, 1998, bombings of the U.S. Embassies in Nairobi, Kenya, and Dar es Salaam, Tanzania, the Department received a supplemental appropriation of approximately \$1.5 billion to address its immediate security needs. The Department received an additional \$567.6 million for security enhancements in FY 2000 and estimated an additional \$3 billion is needed to fully fund priority security enhancements.

This audit was conducted in conjunction with an OIG-wide effort to review the effectiveness of the Department's management of the ESA. The objective of this audit was to determine whether the Department's systems and processes for tracking and monitoring expenditures of ESA funds were sufficient to: ensure that the Department could fully account for funds expended based on transactions recorded in its official accounting records and provide the information needed to properly manage ESA funds and programs.

Overall, OIG found that the systems and processes in place were sufficient to ensure that the Department can account for and properly manage ESA funds, with the exception of a significant amount of funds provided to overseas posts. OIG found that information on overseas ESA transactions was not captured in sufficient detail to meet the Department's reporting and managing needs. OIG also identified discrepancies in accounting records. In addition, OIG

found that the flow of ESA management information at posts could be improved. OIG recommended that the Department define its reporting and management information needs; develop a method of capturing information on overseas ESA transactions in the Department's accounting systems; provide oversight to ensure the accuracy of ESA data in overseas systems; and develop and provide to overseas posts a standard management information reporting format.



## **Reports Issued by the Office of Inspections**

### **Embassy Santiago, Chile (ISP/I-00-13)**

Embassy Santiago is a model embassy, demonstrating clearly what can be accomplished with good management, teamwork, adequate staff and resources, a secure yet attractive chancery, and functional facilities and equipment. Front office attention to security is thorough. Morale and job satisfaction are high. The Ambassador and his deputy provide a successful, well-balanced, coordinated approach to achieving U.S. goals and objectives, with a particular focus on public diplomacy. The mission performance plan is an effective guide to maximizing bilateral relations. The mission makes good use of significant numbers of high-level visitors to further U.S. Government objectives.

The economic/political section advocates U.S. policies actively and produces a sufficient amount of high quality reporting clearly focused on the needs of Washington policymakers. The Foreign Commercial Service and Foreign Agricultural Service (FAS) cooperate very effectively, under the leadership of the Ambassador, to expand the Chilean market for U.S. exports. In 2000, FCS negotiated a landmark e-commerce agreement with Chile and FAS was involved in resolving the 11-year old "poisoned grapes" dispute. Strong efforts by the Embassy and the Chilean Government, as proposed by Chile in 1994, to negotiate a bilateral free trade agreement (FTA) with the United States failed to stimulate progress. The failure of the U.S. executive branch to obtain fast track authority to negotiate binding free trade agreements without congressional amendments, combined with the lack of movement on the FTA effort, has caused a continuing decline in the U.S. share of the Chilean import market. Now, the Chilean Government appears to have accorded an FTA with the United States a lowered priority.

The public affairs section has successfully developed, and continues to maintain, a dialogue with key institutions and individuals to create understanding and support for U.S. international affairs goals through a full range of programs. The Broadcasting Board of Governors is active, and Voice of America programs are transmitted countrywide by a large number of Chilean AM and FM stations.

Adoption of Bureau of Consular Affairs best practices by the consular section has streamlined non-immigrant visa processing. The prospect of increased visa demand makes imperative the implementation of additional consular best practices.

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The administrative staff is strongly led, pro-active, collegial, cohesive and highly customer-service oriented. Department support is needed to resolve a land dispute with the Chilean Government, as well as on some staffing issues, including relocating the regional medical officer to Miami.

**Embassy Gaborone, Botswana (ISP/I-00-14)**

The intensification of U.S. interest in Africa, particularly in southern Africa, has placed heavy demands on this small post. The Ambassador is effectively managing his dual role as head of the bilateral mission in Botswana and as the Secretary of State's Special Representative to the Southern African Development Community.

The United States is aggressively assisting Botswana in addressing the devastating medical and social challenges presented by the HIV/AIDS epidemic. The Centers for Disease Control are doubling their presence and expanding programs. All elements of the mission are engaged in this endeavor.

New, regional initiatives and the resulting responsibilities have led to an increase in American direct hire positions without sufficient resources to provide for administrative support. Additional increases in staffing expected in summer 2000 will further strain administrative support resources.

Several weaknesses in routine management systems and controls reflect the inexperience of first line managers, a rapid growth in workload, and the higher priority placed on meeting policy and program responsibilities. Embassy management had accurately identified many of the problems at the outset of the inspection, and had already intensified its efforts to resolve them. More needs to be done.

Embassy Gaborone's chancery compound meets most security standards. Security awareness was high, but additional drills are necessary to familiarize personnel with emergency procedures.

One of the biggest challenges facing the post is the allocation of space within the chancery. The increase in personnel requires a re-thinking of space allocation within the mission. Embassy Gaborone needs to develop future staff and workload requirements to determine how best to reconfigure office space. Preliminary proposals, including rough cost estimates, should be presented to the Department for action.

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The consolidation of public diplomacy generally went smoothly, but the section was unable to complete some routine, but important, administrative tasks because staff resources were occupied with more immediately important matters. The International Broadcasting Bureau's transmitting station in Selebi-Phikwe (250 miles northwest of Gaborone) is well integrated into the embassy community and appears to be operating well (widespread flooding prevented the OIG's programmed site visit).

**Embassy Addis Ababa, Ethiopia (ISP/I-00-15)**

During the inspection, Embassy Addis Ababa was vigorously addressing a broad range of U.S. interests in a region of strategic importance, but was hampered by the conflict between Ethiopia and Eritrea. The U.S. foreign affairs establishment was giving its full attention to the peaceful resolution of the conflict, making it the Embassy's top priority. Concurrently, the imminent threat of drought and the consequent need for food assistance demanded prompt attention. Under these circumstances, post management directed resources accordingly, allocating fewer resources to certain other policy and program elements.

The mission's financial and personnel resources were found to be generally adequate. The political uncertainty and the potential for another evacuation, however, decreased the number of potential bidders for positions at this "hard to fill" post. Extended gaps in the general services section and elsewhere in the administrative and consular sections were alleviated by the Bureau of African Affairs' continual support and the assignment of temporary duty personnel.

The public diplomacy function was performing well and consolidation had generally worked smoothly.

Post management supported the regional security officer's aggressive program of security upgrades and heightened security awareness, which won widespread cooperation from the embassy community.

The Department is in the initial stages of developing plans for a new office building that would meet security standards as well as co-locate the U.S. Agency for International Development. Realistically, these plans are a number of years away from fruition. In the interim, the Department should evaluate potential short-term solutions to provide a more secure environment for the embassy community.

Embassy Addis Ababa was providing quality consular services to American citizens and foreign nationals. However, the workspace of the consular section is inadequate. As plans are made to relocate the consular section, the Embassy should ensure that consular office space and waiting areas are significantly expanded and configured to better promote efficiency and safety.

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Financial management at Embassy Addis Ababa is complicated by the Ethiopian Government's refusal to accept birr (the national currency) for telephone charges, utilities, government residential leases, vehicle insurance, and air transportation (including pouch), and the resulting accumulation of a considerable amount of unusable birr collected by the Embassy in consular fees. The Embassy needs to convince the Ethiopian Government to permit payment of local expenses in local currency.

## **Reports Issued by the Office of Security and Intelligence Oversight**

During this reporting period a Security Inspection of State Annex 26, Beltsville, Maryland, was completed.